Agenda

1. Dynamics of Industry Trends  
   Chad Lemmens | Senior Account Manager of Clinical Services

2. Jan. 1, 2018 Formulary Management Strategies  
   Deb Curry | Senior Director, Formulary Product Strategy

   Nathan Merrill | Manager, Clinical Utilization Management

4. Communication Plan  
   Christy Unekis | Sr. Communications Manager
Dynamics of Industry Trends

Chad Lemmens
Senior Account Manager of Clinical Services
Dynamics of trend

1. The Future of Health Calling All Employers: Be Agents of Change - Highlighting results from the 2015 Aon Hewitt Health Care Survey
3. Thomson Reuters Cortellis database https://cortellis.thomsonreuterslifesciences.com/
5. Global Staying@Work Survey, Willis Towers Watson, 2016.

**Drug Price Inflation**

The leading contributor to trend is price inflation. Total health care costs have increased 82% over the last 10 years.1

Although there are many differences between traditional and specialty drugs, one aspect that is similar is the rate at which prices are increasing.

**Specialty Medications**

Specialty medications continue to be one of the most significant factors of trend, driven by inflation, increased utilization, and new drugs to the market.

Average annual industry trend in specialty costs exceeds 21% over the last 3 years.2

**Drug Pipeline**

Specialty now accounts for 45% of the pipeline, and represented more than half of the drug approvals in 2016.3

The Traditional pipeline is waning, and many of the major Blockbuster classes have effective generic options available. Patent expirations expected to play a less significant role in slowing pharmacy spend.

**Consumer Engagement**

78% of employers cite lack of engagement as a top obstacle to a successful health and wellbeing program.4

86% of U.S. employers say health and productivity is a top priority for their organization.5
Drug utilization and cost

**Dynamics of drug spend have changed:**

- Rapidly growing and evolving specialty market
- Blockbuster patents expired, generic use is peaking

### Average Retail Cost per Rx

- **2016**
  - Generics: $23
  - Brands: $286
  - Specialty\(^2\): $3,576

- **2011**
  - Generics: $18
  - Brands: $150
  - Specialty\(^2\): $1,230

---

1. OptumRx ASO average for carve-in and carve-out clients combined, calendar year 2016 data.
2. Average ingredient cost can have wide variation based on drug mix within a specific population.
Brand and generic market dynamics

Impact on cost

MONTHS FROM PATENT EXPIRATION

Our rebated brand price

Brand accelerated price increases

Launch of brand extensions

High-price generics during exclusivity period

Patent expires

1

2

3

New
Jan. 1, 2018
Formulary Management Strategies

Deb Curry
Senior Director, Formulary Product Strategy
Jan. 1, 2018 key formulary updates

<table>
<thead>
<tr>
<th>Premium Formulary Exclusion Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>High-cost and multi-source brand exclusions:</strong> New exclusions alter the Premium Formulary exclusion strategy. High cost, no rebate drugs as well as multi-source brand drugs will be excluded to improve overall ingredient cost savings for Premium Formulary clients.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Affordability Drug Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Immunomodulators- Plaque Psoriasis:</strong> Premium Formulary exclusion updates and Prior Authorization modifications happening as a result of a change in Cosentyx and Taltz strategy.</td>
</tr>
<tr>
<td>• <strong>Vigilant Drug List updates:</strong> Additional exclusions on the Me Too and the Non Essential Drugs exclusion lists drive to lower drug spend.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulatory Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>HCR statin preventive drug $0 coverage:</strong> PPACA requires statin coverage for primary cardiovascular disease prevention at $0 cost-share for non-grandfathered commercial plans.</td>
</tr>
<tr>
<td>• <strong>High-Deductible Health Plan Preventive Drug List:</strong> Updates to align lists.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opioid Management Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Long-Acting Opioids:</strong> Due to increased utilization and concern in this category, we have updated our strategy. This includes Premium Formulary exclusion and UM updates, shifting cost-sharing to generics and other preferred agents.</td>
</tr>
</tbody>
</table>
# Jan. 1, 2018 Formulary Updates Summary

## Decision Summary

<table>
<thead>
<tr>
<th>DOWN-TIER (POSITIVE)</th>
<th>Select / Core</th>
<th>Premium</th>
<th>Generic-Centric</th>
<th>Innoviant / UMR</th>
<th>Legacy Catamaran National (transitions to Select)</th>
<th>EHB Base Formulary</th>
<th>EHB Enhanced Formulary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medications can move to a lower tier at any time throughout the year to provide members with immediate cost savings.</td>
<td>2</td>
<td>3</td>
<td>No Change</td>
<td>No Change</td>
<td>559</td>
<td>46</td>
<td>46</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UP-TIER (NEGATIVE)</th>
<th>Select / Core</th>
<th>Premium</th>
<th>Generic-Centric</th>
<th>Innoviant / UMR</th>
<th>Legacy Catamaran National (transitions to Select)</th>
<th>EHB Base Formulary</th>
<th>EHB Enhanced Formulary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medications that move to a higher tier because they offer less health care value, clinically and/or financially, than similar medications in their therapeutic classes.</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>472</td>
<td>37</td>
<td>39</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXCLUSIONS</th>
<th>Select / Core</th>
<th>Premium</th>
<th>Generic-Centric</th>
<th>Innoviant / UMR</th>
<th>Legacy Catamaran National (transitions to Select)</th>
<th>EHB Base Formulary</th>
<th>EHB Enhanced Formulary</th>
</tr>
</thead>
<tbody>
<tr>
<td>A medication is only excluded when it offers no clinical value over other options in its class and its exclusion can be leveraged to achieve significant savings for our clients while preserving affordable choices for members.</td>
<td>No Change</td>
<td>68</td>
<td>2</td>
<td>1</td>
<td>No Change</td>
<td>128</td>
<td>128</td>
</tr>
</tbody>
</table>

---

No Change = No new changes on Jan. 1, 2018.
Positive changes are listed on a monthly basis in Pharmacy Passages.
Key updates: Select/Core and Premium Formularies

<table>
<thead>
<tr>
<th>Therapeutic Category</th>
<th>Drug</th>
<th>Select/Core</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specialty medications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-hepatitis C (HCV) Agents</td>
<td>Sovaldi</td>
<td>Tier 2 to Tier 3</td>
<td>Tier 2 to Tier 3</td>
</tr>
<tr>
<td></td>
<td>Zepatier</td>
<td>Tier 2 to Tier 3</td>
<td>Tier 2 to Tier 3</td>
</tr>
<tr>
<td>Cystic Fibrosis Agents</td>
<td>Pulmozyme</td>
<td>Tier 3 to Tier 2</td>
<td>Tier 3 to Tier 2</td>
</tr>
<tr>
<td>Hormonal Agents, Suppressant (Pituitary)</td>
<td>Supprelin LA</td>
<td>Tier 3 to Tier 2</td>
<td>Tier 3 to Tier 2</td>
</tr>
<tr>
<td>Immunomodulators – Plaque Psoriasis</td>
<td>Talz</td>
<td>N/C (Tier 3)</td>
<td>Tier 3 to Excluded</td>
</tr>
<tr>
<td></td>
<td>Cosentyx</td>
<td>N/C (Tier 3)</td>
<td>Excluded to Tier 3</td>
</tr>
<tr>
<td><strong>Non-Specialty medications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulcerative Colitis</td>
<td>Lialda</td>
<td>N/C (Tier 2)</td>
<td>Tier 2 to Excluded</td>
</tr>
<tr>
<td>Opioid Analgesic Agent</td>
<td>Opana ER</td>
<td>Tier 2 to Tier 3</td>
<td>N/C (Excluded)</td>
</tr>
</tbody>
</table>

N/C = No Change
Vigilant Drug List program updates

Vigilant Drug List updates will help save our clients up to 1% of their plan costs

- **Me Too** drug removals were due to products also being on another Vigilant Drug List or no longer meeting **Me Too** criteria
- **Non-Essential** drug removals were a result of program review and evaluation after adding a cost threshold of $30/month

**New** Vigilant Drug Lists are being developed to address:

- Specialty medications
- High-cost generics
- High-cost brands with generic equivalents

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>ADDITIONS (Negative Change)</th>
<th>REMOVALS (Positive Change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Me Too Drugs</td>
<td>31 products</td>
<td>41 products</td>
</tr>
<tr>
<td>Non-Essential Drugs</td>
<td>81 Products (512 NDCs)</td>
<td>167 Products (584 NDCs)</td>
</tr>
</tbody>
</table>
Health Care Reform preventive coverage update
Statins for primary prevention of cardiovascular disease

HCR preventive statin coverage will be available beginning Dec. 1, 2017

Under the Affordable Care Act (ACA), all non-grandfathered health plans are required to provide $0 cost coverage for all evidence-based items or services with an A or B rating from the United States Preventive Services Task Force (USPSTF), subject to reasonable medical management techniques.

On Nov. 13, 2016, the USPSTF issued a B recommendation that adults without a history of cardiovascular disease (CVD) (i.e., symptomatic coronary artery disease or ischemic stroke) use a low- to moderate-dose statin for the prevention of CVD events and mortality when all of the following criteria are met:

1. Age 40 to 75 years
2. One or more CVD risk factors (i.e., dyslipidemia, diabetes, hypertension, or smoking)
3. Calculated 10-year risk of a cardiovascular event of 10% or greater. This requires universal lipid screening.
In response to the new USPSTF Recommendation B, OptumRx will offer the following standard health reform preventive statin coverage option:

**Statins to be covered at $0 cost-share**

| No Prior Authorization Required (Ages 40-75) | Lovastatin (generic Mevacor)  
| - | • all strengths |
| Prior Authorization required to confirm risk of CVD | Atorvastatin (generic Lipitor)  
| - | • 10mg and 20mg*  
| | Simvastatin (generic Zocor)  
| | • 5mg, 10mg, 20mg and 40mg* |

*Only these strengths will be available for $0 cost-share.

- Clients with standard health reform preventive medication coverage will automatically receive this statin coverage starting Dec. 1.
- The estimated cost for this standard statin coverage is $0.10 - $0.15 per member per month.
We reviewed commercial claims data to identify high-cost compound ingredients & bases to save our clients and members money. As a result:

- **7 more bulk chemicals are being excluded** because they are either commercially available in topical formulations or not FDA approved to be administered topically.
- **9 bases are being excluded** because they are high-cost and/or promoted for cosmetic uses.

### Bulk Chemicals
- DIPHENHYDRAMINE HCL POWDER
- DOXEPIN HCL POWDER
- HALOPERIDOL (BULK)
- FLUOCINONIDE POWDER
- ITRACONAZOLE (BULK)
- LORAZEPAM (BULK)
- LIDOCAINE OINTMENT 5% (2,500gm size)

### Bases
- 1ST BASE CREAM
- NOURISIL GEL
- WOUND CARE CREAM
- SCAR CARE BASE ENHANCED
- SILOSOME TRANSDERMAL
- STERA BASE CREAM
- TERODERM CREAM
- TERODERM-PLUS CREAM
Jan. 1, 2018
Utilization Management Updates

Nathan Merrill
Manager, Clinical Utilization Management
Jan. 1, 2018 Comprehensive Utilization Management update summary

<table>
<thead>
<tr>
<th>Decision</th>
<th>OptumRx Aligned UM Program&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Legacy OptumRx UM Program&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STEP</strong> Step Therapy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directs members to try a lower-cost medication (known as Step 1) before progressing to a higher-cost alternative (known as Step 2 and/or Step 3).</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>QL</strong> Quantity Limits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishes the maximum quantity of drug that is covered per copayment or in a specified timeframe.</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>PA</strong> Prior Authorization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requires physicians to provide additional clinical information to verify member benefit coverage.</td>
<td>19</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Refers to the updates in UM programs for those legacy Catamaran and legacy OptumRx clients who implement UM programs on or after Jan. 1, 2018. 2. Applies to legacy OptumRx clients who had an existing legacy OptumRx UM Program prior to Jan. 1, 2018.

Confidential property of Optum. Do not distribute or reproduce without express permission from Optum.
Comprehensive Utilization Management decisions

- Step Therapy
- Prior Authorization
- Quantity Limits
- Focused UM Updates
New Step Therapy

<table>
<thead>
<tr>
<th>Therapeutic Class</th>
<th>Step 2 Drug (Requires trial of Step 1)</th>
<th>Step 1 Drugs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ophthalmic Agents</td>
<td>Prolensa</td>
<td>Trial of the following preferred brand: Bromsite</td>
</tr>
</tbody>
</table>

- **Analgesic Packs** – Updates resulting from addition to vigilant drug lists.
- **Ophthalmic Agents** – Updates resulting from formulary tiering.
- **Statins** – Updates resulting from UM alignment.
- **Irritable Bowel Syndrome** – Updates resulting from formulary tiering.
- **Long-Acting Opioids** – Updates resulting from addition to Opioid Risk Management program.
Prior Authorization (PA) updates - Jan. 1, 2018

**Long-Acting Opioids** – As part of the **OptumRx Opioid Risk Management Program**, a PA has been developed for all long-acting opioids to *promote the effective use of these products in pain management* and to prevent inadvertent addiction.

- Avinza (morphine sulfate beads)
- Arymo ER (morphine sulfate ER)
- Belbuca (buprenorphine)
- Butrans (buprenorphine)
- Dolophine (methadone)
- Duragesic (fentanyl)
- Embeda (morphine-naltrexone)
- Exalgo (hydromorphone ER)
- Hysingla ER (hydrocodone ER)
- Kadian (morphine sulfate ER)
- Morphabond (morphine sulfate ER)
- MS Contin (morphine sulfate ER)
- Nucynta ER (tapentadol ER)
- Opana ER (oxymorphone ER)
- Oxycontin (oxycodone ER)
- Xtampza ER (oxycodone ER)
- Zohydro ER (hydrocodone ER)

- Various PA updates due to alignment.
Quantity Limit (QL) updates - Jan. 1, 2018

<table>
<thead>
<tr>
<th>Drug</th>
<th>Current Quantity Limit</th>
<th>New Quantity Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crinone (progesterone) Vaginal Gel</td>
<td>60 applicators per 30 days</td>
<td>15 applicators per 30 days</td>
</tr>
</tbody>
</table>

- **Crinone** – Existing QL allowed for the maximum dose when used for assisted reproductive technology (ART) indications which is an excluded use for many prescription benefits. The QL will be decreased to allow for the maximum dose for all other non-fertility indications.

- Various QL updates due to alignment.
Jan. 1, 2018 Focused Utilization Management updates

<table>
<thead>
<tr>
<th>Therapeutic Category</th>
<th>Current Targeted Drugs</th>
<th>Changes Effective Jan. 1, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Nervous System</strong></td>
<td><strong>Preferred Agents:</strong> Hydromorphone ER, Morphine Sulfate ER, Oxymorphone ER, Embeda, Oxycontin</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Non-preferred Agents:</strong> Arymo ER, Hysingla ER, Kadian, Morphabond ER, Nucynta ER, Opana ER, Xtampza ER, Zohydro ER</td>
<td><strong>Existing Step Therapy will be retired and replaced by a PA.</strong></td>
</tr>
<tr>
<td><strong>Opioid Analgesics</strong></td>
<td><strong>Preferred Agents:</strong> Hydromorphone ER, Morphine Sulfate ER, Oxymorphone ER, Embeda, Oxycontin</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Non-preferred Agents:</strong> Arymo ER, Hysingla ER, Kadian, Morphabond ER, Nucynta ER, Opana ER, Xtampza ER, Zohydro ER</td>
<td><strong>Preferred Agents:</strong> Apriso</td>
</tr>
<tr>
<td></td>
<td><strong>Non-preferred Agents:</strong> Asacol HD, Delzicol, mesalamine DR</td>
<td><strong>Non-preferred Agents:</strong> Asacol HD, Delzicol, Lialda, mesalamine DR</td>
</tr>
<tr>
<td><strong>Gastrointestinal</strong></td>
<td><strong>Preferred Agents:</strong> Apriso and Lialda</td>
<td><strong>Preferred Agents:</strong> Apriso</td>
</tr>
<tr>
<td><strong>Irritable Bowel Syndrome</strong></td>
<td><strong>Non-preferred Agents:</strong> Asacol HD, Delzicol, mesalamine DR</td>
<td><strong>Non-preferred Agents:</strong> Asacol HD, Delzicol, Lialda, mesalamine DR</td>
</tr>
</tbody>
</table>
Communication Plan and Resources

Christy Unekis
Senior Communications Manager
Client resources
Communicating formulary cost-management strategies

Formulary & Clinical Update Flyers available Sept. 15
- Outline all changes effective Jan. 1, 2018
- Can be provided to members or posted on client intranet

Optumrx.com Client Portal
- Clinical updates
- Drug recalls and withdrawals
- Drug safety
- Drug approvals
- New generics

UMR Clients – visit umr.com
Comprehensive member communication
Helping members understand their pharmacy benefits

- **Member Letters** – Letters are mailed to negatively impacted members 30-60 days prior to effective date
- **Prescription Drug List Booklet** – Member-friendly list of the top 450 non-specialty and 50 specialty medications based on utilization
- **Clinical Drug Lists** – Comprehensive lists of all medications with clinical requirements

**Optumrx.com**
- Locate a participating retail pharmacy
- Find lower-cost medication options
- View order status and claims history
- Sign up for refill reminders

**Customer Service**
- Toll-free member phone number on back of ID cards
- 24 hours a day, 7 days a week
Next steps

1. Familiarize yourself with the Jan. 1, 2018 Pharmacy Benefit Updates.

2. Use the Formulary Update flyer to inform your employees about changes to their pharmacy benefit taking effect Jan. 1.

3. Contact your OptumRx representative with any questions about the Jan. 1, 2018 pharmacy benefit updates.
Thank You!